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On July 28, President Alan Garcia announced that his administration plans to nationalize the nation's banks and close private money-exchange houses in a dramatic move to gain control over the country's financial system. The action was certain to increase dismay among foreign bankers and multilateral institutions. Two years ago, Peru unilaterally limited interest payments on its $14.5 billion foreign debt to 10% of export revenues. Garcia also said he was ending the state of emergency in the state of Ayacucho and the nightly curfew in the capital. The measures were imposed to fight rising terrorism by the Maoist- inspired Sendero Luminoso (Shining Path) revolutionary movement. The announcements came during the president's state of the nation address before Congress, marking his secondary anniversary in office. Garcia declared that he was taking the financial measures to insure adequate investment capital in Peru, where growing economic uncertainty has led many to purchase dollars, weakening the Peruvian inti. The president did not outline in his address plans to nationalize the banks, several of which are branches of US and European companies. His order closes the widely used private money-exchange houses and outlaws street sales of foreign currency, which government officials have blamed for economic uncertainty. Many Peruvians have bought dollars as a hedge against impending hard times predicted by some independent economists. The Garcia administration has recently been plagued by a shaky economy, leftist insurgency, disputes within the ruling party and problems with the military, which has toppled three civilian governments in the last 40 years. Garcia counts in his favor a jobs program that has put thousands to work, a tripling of the minimum monthly wage to about $100 and an economic program that ended a severe recession. In 1985, Garcia inherited an economy besieged by high unemployment and inflation running at a 250% annual rate. He limited Peru's foreign debt payments to 10% of the nation's export earnings, prompting most foreign banks and other lenders to cut off credit. The president used the dollars owed the banks to fuel a consumption-based economic recovery program, which sparked growth of nearly 9% last year, the highest in 25 years. But economists have warned that declining dollar reserves, coupled with heavy deficit spending, could spark a return to runaway inflation and halt growth. On July 29, the Peruvian government released a preliminary listing of banks, finance and insurance companies to be affected by the nationalization program. Included in the list were: Banks Banco de Credito del Peru, Banco de Comercio, Banco de Dessarrollo, Banco de Lima, Banco Latino, Banco Financiero del Peru, Banco Regional del Norte, Banco del Sur del Peru, Banco Aviese Ltd.; Finance companies Financiera de Credito del Peru S.A., Financiera del Sur S.A., Financiera Nacional S.A., Financiera Progreso S.A., Financiera Sudamericana S.A., Promotora Peruana S.A.; Insurance companies Atlas, Condor, El Pacifico, El Sol de Seguros Generales, Internacional Peruana de Seguros Generales, La Colmena, La Fenix, La Nacional, La Real, La Universal, La Vitalicia, La Americana Peruana-Suiza, Rimac, America Terrestre y Maritima S.A. (Basic data from AP, 07/28/87, 07/29/87)

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